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Supreme Court, U.S.
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No._____

IN THE

Supreme Court of the United States

Fin Control Systems Pty, Ltd.,
Petitioner,

v.

Surfco Hawaii,
Respondent.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

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PETITION FOR WRIT OF CERTIORARI

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Questions Presented For Review

1. Whether the scope of the implied license to repair a patented combination includes, as held by the Federal Circuit, the right to replace parts that are in good working order, despite the historical limitation of the implied license of repair to the replacement of broken or worn parts as enunciated by this Court in *Wilson v. Simpson*, 50 U.S. (9 How.) 109 (1850) and *Aro Manufacturing Co. v. Convertible Replacement Top Co.*, 365 U.S. 336, 81 S. Ct. 599 (1961)?

2. Whether a patentee's statutory rights under 28 U.S. C. §§ 271 (c) and (d) to control the sale of nonstaple parts for patented combinations as confirmed by this Court's decision in *Dawson Chemical Co. v. Rohm & Haas Co.*, 448 U.S. 176, 100 S. Ct. 2601 (1980) was erroneously restricted by the appeal court's expansion of the scope of the implied license of repair to permit the replacement by third parties of such parts when they are not in need of repair?

Corporate Disclosure Statement

Petitioner, Fin Control Systems Pty, Ltd., does not have a parent corporation, and no publicly held company owns 10% or more of its stock.

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Citations of Reports of Opinions and Orders

The district court's opinion granting summary judgment of infringement to Petitioner is not reported. The district court's opinion is set forth in Appendix A.

The opinion of the Federal Circuit Court of Appeals is unofficially reported at 2001 U.S. App. Lexis 19613 (September 5, 2001). The court of appeals' opinion is set forth in Appendix B.

Statement of Jurisdiction

This is a patent case in which the original subject matter jurisdiction of the district court was based on 28 U.S.C. §§ 1331, 1332 and 1338(a). With the grant of summary judgment of infringement on February 2, 2001, and the entry of a permanent injunction on April 21, 2001, the action was final except for an accounting. Respondent, Surfco Hawaii, timely filed its notice of appeal on April 28, 2001, pursuant to 28 U.S.C. § 1292(c)(2).

The Federal Circuit Court of Appeals entered its judgment on September 5, 2001. A combined petition for rehearing and rehearing en banc was timely filed on September 19, 2001, pursuant to Rules 35(c) and 40(a)(1) of the Federal Rules of Appellate Procedure. The court of appeals denied the combined petitions on October 12, 2001. This petition was timely filed on or before December 4, 2001, 90 days after the entry of the Federal Circuit's judgment, pursuant to 28 U.S.C. § 2101(c) and Supreme Court Rule 13.

Statutes Involved

This petition involves 35 U.S.C. §§ 271 (c) and (d). Those sections provide:

(c) Whoever offers to sell or sells within the United States or imports into the United States a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.

(d) No patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having done one or more of the following: (1) derived revenue from acts which if performed by another without his consent would constitute contributory infringement of the patent; (2) licensed or authorized another to perform acts which if performed without his consent would constitute contributory infringement of the patent; (3) sought to enforce his patent rights against infringement or contributory infringement; (4) refused to license or use any rights to the patent; or (5) conditioned the license of any rights to the patent or the sale of the patented product on the acquisition of a license to rights in another patent or purchase of a separate product, unless, in view of the circumstances, the patent owner has market power in the relevant market for the patent or patented product on which the license or sale is conditioned.

Statement of the Case

Petitioner, Fin Control Systems Pty, Ltd. ("Fin Control"), is an Australian company that owns several U.S. patents relating to removable fin systems for surfboards and other watercraft. Fin Control markets a removable fin system that embodies the inventions of these patents that has enjoyed substantial commercial success. The patented combination includes a surfboard, mounting plugs that are fitted into the surfboard, fins with tabs that fit into the mounting plugs, and grub screws inserted into the plugs that press against the tabs to hold the fins into the plugs and onto the surfboard. The patented combination allows fins to be easily installed and removed from surfboards to avoid fin breakage during transportation, and to be changed as surfing conditions vary, thereby altering the performance of the surfboard. The fins are "nonstaple" parts of the combination, that is, there is no substantial non-infringing use outside of their use as part of the combination.

Respondent, Surfco Hawaii ("Surfco"), is an Hawaiian company that markets various surfing products including fins that are compatible with the unique Fin Control mounting system. Surface's fin is designed with a rubber edge for a purported increase in safety if a surfer is accidentally hit by the edge of a fin while surfing.

Following Fin Control's notice to Surfco that its sales of compatible fins was an infringement of Fin Control's patents, on July 13, 1998, Surfco filed a complaint for a declaratory judgment of non-infringement in the District of Hawaii. In early 1999, Surfco then filed two motions for summary judgment on the basis that its fins were not infringing and, if they were, their sale came within the scope of the repair doctrine. Fin Control cross-moved for summary judgment of infringement. The district court denied Surface's motions and granted Fin Control summary

judgment of infringement. (The district court's opinion is reprinted in Appendix A ("App. A__")). It rejected Surfco's argument that the replacement of a single element of a combination designed to be replaced constitutes "repair" regardless whether the element is spent on the basis that an owner may improve the combination at his or her discretion to obtain desired results. App. A4-5. The district court held that the requirement of "spentness" is relevant to determining the existence of repair. Because the Surfco fin was being sold as an alternative to the Fin Control fin, the district court held that the replacement of an unworn component of a patented combination was an impermissible reconstruction. App. A7.

On April 28, 2000, Surfco appealed to the Federal Circuit Court of Appeals which reversed the district court's judgment on the basis that the use of Surfco fins to replace Fin Control fins in good working condition was a "permissible modification" within the scope of the repair doctrine. (The opinion of the court of appeals is reprinted in Appendix B ("App. B__")).

After properly stating the general rule that the ownership of a patented article does not include the right to create a substantially new article but does include the right to preserve its useful life and correctly observing that the concept of permissible repair is directed primarily to the replacement of broken or worn parts (App. B5), the court of appeals erroneously held that permissible repair also includes replacement of parts that are neither worn nor broken. In reaching that conclusion, the court of appeals mistakenly relied upon one of its earlier decisions in which the replacement of sleeves in a medical device that were not spent—a "premature repair"—was approved as a repair. App. B5-6.

It also mistakenly relied upon two inapposite cases; one decided by this Court and one of its own, that approved conduct found to be "kin to repair." In one case, in the process of repairing a used fish-canning machine, it was resized to handle smaller cans. In the other, a purchaser modified a new ink cartridge so that it could be refilled. App. B6.

In rejecting Fin Control's argument that permissible repair required the existence of a broken or worn part, the court of appeals held that "infringement liability depends on the extent of the change, not its purpose." App. B6. In essence, the court concluded that a purchaser may repair or improve a patented article until it is worn out as long as there is not a reconstruction of the article as to "in fact make a new article." App. B7, citing *Mitchell v. Hawley*, 83 U.S. (16 Wall.) 544, 548 (1872) and *Aro Manufacturing Co. v. Convertible Top Replacement Co.*, 365 U.S. 336, 346, 81 S. Ct. 599 (1961) (*Aro I*).

Finally, addressing Fin Control's argument that permissible repairs must extend the useful life of the patented article, the court of appeals held, without citation of any supporting authority and contrary to the precedent of this Court, that "[a]lthough extension of the useful life of an article is the usual reason for modification or replacement of component parts, it is not the only reason allowed by law." App. B7. It then concluded that replacement of Fin Control's fins by Surfco's fins did not recreate the patented combination even when the new fins were specially adapted for use in the patented combination. App. B7.

On that basis, the court of appeals reversed the district court's grant of summary judgment of infringement and entered judgment for Surfco.

SUMMARY OF ARGUMENT

In a matter of substantial commercial importance to the owners of combination patents who sell replacement parts for their patented products, the court of appeals has, for the first time, opened the door for third parties to sell replacement parts for patented combinations despite the existence of statutory prohibitions of 35 U.S.C. §§ 271(c) and (d) that define such conduct as contributory infringement. Ignoring the precedent of this Court and its own precedent, the Federal Circuit held that it is not a "making" or reconstruction of a patented combination for the purchaser of a combination to replace its unique or nonstaple parts that are not in need repair, and that such replacement of parts comes within the scope of the implied license of repair conveyed with the sale of a patented article.

This erroneous decision grants sweeping new rights to makers and sellers of replacement parts. Prior to the court of appeal's decision, under the repair doctrine articulated by this Court in its 1961 decision in *Aro Manufacturing Co. v. Convertible Top Replacement Co.*, 365 U.S. 336, 81 S. Ct. 599 (1961) (*Aro I*), sellers of replacement parts were limited to sales to be used for the repair of broken or worn parts of patented combinations. Under the Federal Circuit's unjustified expansion of the repair doctrine, it is no longer necessary for the replaced part to be broken, worn or otherwise in need of repair. Rather, a seller may now sell parts to "modify" the combination without regard to the condition of the replaced parts.

In effect, the Federal Circuit has opened an entirely new market for replacement parts that is contrary to the rights of the owner of a patented combination to control the sale of the nonstaple parts of that combination as explicitly provided for in 35 U.S.C. §§ 271(c) and (d), as confirmed by

this Court's decision in *Dawson Chemical Co. v. Rohm & Haas Co.*, 448 U.S. 176, 100 S. Ct. 2601 (1980).

The decision is also contrary to this Court's "plain and practical" test for the application of the repair doctrine, i.e., whether a part is "spent" and, therefore, needs to be replaced. *Aro I*, 365 U.S. at 343, 346.

Because the Federal Circuit's erroneous decision in this case denigrates the statutory rights granted to owners of patented combinations by 35 U.S.C. §§ 271(c) and (d), and grants commercially sweeping new rights to sellers of replacement parts in the guise of "permissive modification" contrary to well-established repair doctrine prerequisite of a broken or worn part needing replacement, petitioner, Fin Control Systems Pty, Ltd., respectfully requests this Court to grant review to correct its decision and restore the proper balance between patent holders under section 271 and the limited right to repair granted to owners of patented combinations.

REASONS FOR GRANTING THE WRIT

I. THE FEDERAL CIRCUIT'S EXPANSION OF THE REPAIR DOCTRINE TO INCLUDE "PERMISSIBLE MODIFICATION" IMPROPERLY PERMITS THE REPLACEMENT OF PARTS NOT IN NEED OF REPAIR

In holding that the owner of a patented combination may freely modify it without regard to the condition or nature of the replaced parts, the Federal Circuit's decision abandons the basic principles of the repair doctrine, that the right to repair results from an implied license to maintain a patented combination, and that repair is authorized when a part is broken or worn out and needs to be repaired or replaced.

In the seminal decision of *Wilson v. Simpson*, 50 U.S. (9 How.) 109 (1950), the Supreme Court held:

> [I]t is "the use of the whole" of the combination which a purchaser buys, and that repair or replacement of the worn-out, damaged or destroyed part is but an exercise of the right "to give duration to that which he owns, or has a right to use as a whole."

Aro I, 365 U.S. at 342-43, quoting *Wilson*, 50 U.S. (9 How.) 109 (1850) (emphasis added). The Court then stated that the "distilled essence" of the *Wilson* case was stated by Judge Learned Hand in *United States v. Aluminum Company of America*, 148 F.2d 416, 425 (2d Cir. 1945): "The [patent] monopolist cannot prevent those to whom he sells from . . . reconditioning articles worn by use, unless they in fact make a new article." The Court labeled this description of the repair doctrine as the "plain and practical" test to be applied to determine the existence of the defense. *Aro I*, 365 U.S. at 343.

Thus, the test to be applied to determine if a repair has occurred is whether the owner of the patented combination was "reconditioning articles worn by use." Only if the owner is repairing or replacing articles worn or broken by use does the defense apply. *Aro I*, 365 U.S. at 346.

The Federal Circuit's decision also mistakenly interprets this Court's precedent to permit the free replacement of parts unless the combination as a whole is "spent." Having failed to apply the first criteria for the existence of repair, the decision then concludes that all replacement or modification is permissible unless the combination is "spent." This conclusion ignores the reasons underlying the holding in *Aro I*.

The very foundation or essence of the repair doctrine is the right to give duration to the patented combination until the combination is "spent," that is, to repair the combination for the duration of its life. *Aro I*, 365 U.S. at 342-43. As long as the combination, as a whole, has not become spent, an owner may repeatedly replace broken or worn parts.

> Mere replacement of individual unpatented parts, one at a time, whether of the same part repeatedly or different parts successively, is no more than the lawful right of the owner to repair his property.

356 U.S. at 346. Once the combination is "spent," replacement of parts is considered an impermissible "reconstruction." *Aro I*, 365 U.S. at 346. Thus, the concept of "spentness" of the combination is an outside limit on permissible repair beyond which an impermissible reconstruction occurs.

Contrariwise, the concept of "spentness" of the combination has no applicability to the situation where unworn parts are being replaced because the *sine qua non* of the repair doctrine is the replacement of broken and worn parts. Otherwise, the repair doctrine would give an unfettered license to replace any part for any reason for the entire life of the patented combination. Neither this Court's precedent nor existing statutory authority justify such an interpretation.[1]

Consequently, the Federal Circuit's decision erroneously dispenses with the "repair" criteria and establishes a new rule of "permissible modification" that

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[1] See Section II, below, which demonstrates that the Federal Circuit's decision is contrary to the rights granted to a combination patent owner by 35 U.S.C. § 271(c) and (d).

allows any and all replacement of parts. In effect, its new rule swallows the limited license to repair previously granted to owners of patented combinations, and permits wholesale replacement of parts without any reference to their condition, in derogation of the patentee's rights to control the sale of the nonstaple parts of a patented combination under 35 U.S.C. §§ 271(c) and (d).

The error in the Federal Circuit's decision and the wide-ranging adverse implications of its new "rule" are as follows.

A. The Federal Circuit Erroneously Predicated Its Decision On *Mitchell v. Hawley*

In holding that an owner "may use, repair and modify the device as long as there is not 'reconstruction of the entity as to "'in fact make a new article,"'"—with implied emphasis on the term "modify"—the Federal Circuit erroneously relied upon this Court's decision in *Mitchell v. Hawley*, 83 U.S. (16 Wall.) 544 (1872). Although that case did not directly involve a repair issue but addressed whether a sublicense to use a patented machine was effective during the extended term of the patent, it voiced what would later be labeled the first sale-exhaustion doctrine[2] when it stated in dicta that

> [W]here the sale [of the patented machine] is absolute, and without any conditions, the rule is well settled that the purchaser may continue to use the implement or machine purchased until it is

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[2] The now long-established first_sale-exhaustion doctrine that an authorized sale of a patented product exhausts the patent monopoly as to that product, and that a purchaser may then use or resell the product free of control or conditions imposed by patent owner, was first articulated in *Adams v. Burke*, 84 U.S. (17 Wall.) 453, 456-57 (1873); *Keeler v. Standard Folding-Bed Co.*, 157 U.S. 659, 662 (1895).

> worn out, or he may repair it or improve upon it as he pleases, in the same manner as if dealing with property of any other kind.

83 U.S. at 548. Based upon this statement, the Federal Circuit then mistakenly concluded that *Mitchell* supports the holding that "The right of 'repair' follows from the exhaustion of a patentee's right to control the disposition of a patented article after it has been sold." App. B5.

While it is true that the repair doctrine is based upon the first sale-exhaustion doctrine, as held in the earlier *Wilson v. Simpson* decision, that is, a patentee may not exercise its patent monopoly to prevent the repair of patented article, the first sale-exhaustion doctrine does not answer the question here at issue: whether the replacement of a nonstaple part of a patented combination—which is not in need of repair—constitutes a "making" of the patented combination that transgresses the rights of the patentee. In essence, the Federal Circuit reasoned that since a patentee exhausts its rights to control a patented article once it has been sold, a purchaser a purchaser is free to do as he pleases with the article. But this reasoning goes too far because there are limits to a purchaser's rights. A purchaser is given only the right to use (including repair) and the right to resell. It may not "make" or "reconstruct" the patented article.

The limits on a purchaser's rights to deal with the patented combination have been addressed in this Court's decisions in *Aro I* and *Wilbur-Ellis v. Kuther*, 377 U.S. 422, 84 S. Ct. 1561 (1964), and described the scope of legitimate repair. The Federal Circuit's reliance on the *Mitchell* was misplaced.

B. The Federal Circuit's Decision Exceeded The Bounds of Legitimate Repair Permitted Under This Court's Precedent

The Federal Circuit's decision also misapplied the holding in *Aro I* to justify its expansion of the scope of legitimate repair to include the replacement of parts in good working condition. *Aro I* involved the replacement of worn-out convertible tops that were part of a patented combination. The decision addressed the question whether the repair was permissible or was a contributory infringement by the supplier of the canvas material used in the repair. In holding that the repair of the worn canvas top was within the right of the purchaser, the Court held that "maintenance of the 'use of the whole' of the patented combination through replacement of spent, unpatented element does not constitute reconstruction." *Aro I*, 365 U.S. at 346. This holding requires the repair involve the replacement of a "spent" part to maintain the 'use of the whole' combination. Nothing in the holding in *Aro I* permits the replacement of parts that are not "spent." The *Aro I* decision simply did not address or authorize the replacement of unworn parts, not needing repair, under the guise of the repair doctrine.

Mistakenly, the Federal Circuit relies upon *Aro I* to justify its holding that a purchaser may "modify" a patented article "as long as there is not 'reconstruction of the entity as to "in fact make a new article."'" App. B5. Because *Aro I* and the decisions it relies upon, *Wilson v. Simpson* and *Aluminum Company of America*, authorize replacement of parts only when they are worn or broken, neither their theoretical nor their factual context permit a purchaser to replace parts that are not in need of repair.

Consistent with *Wilson*, *Aro I* held that "Mere replacement of individual unpatented parts, one at a time, whether of the same part repeatedly or different parts

successively, is no more than the lawful right of the owner *to repair his property.*" *Aro I*, 365 U.S. at 346 (emphasis added).

While the court of appeal's decision also relies upon *Aro I* for the proposition that a "reconstruction of a patented entity, comprised of unpatented elements, is limited to such a true reconstruction of the entity as to 'in fact make a new article,' after the entity, viewed as a whole, has become spent. . . ." App. B5, that holding must, of necessity, only apply to the time when a true repair is no longer permissible, that is, when the patented combination, as a whole, has become spent. It does not, and cannot, mean that the replacement of parts can occur for any reason until the combination, as a whole, has become spent. If so, there would be little need for the repair doctrine and the decisive issue would only be whether the combination as a whole had become spent. Under the rule adopted by the Federal Circuit, any replacement of parts would be permitted unless and until the combination was spent. Neither *Mitchell* nor *Aro I* supports that sweeping result.

C. There Is No Precedential Support For Replacement of Parts Other Than To Maintain The Useful Life of The Combination

To support its unjustified expansion of the repair doctrine, the Federal Circuit misapplies the precedent of this Court and its own decisions.

Relying upon its decision in *Kendall Co. v. Progressive Medical Technology, Inc.*, 85 F.3d 1570, 38 USPQ2d 1917 (Fed. Cir. 1996), it holds that "when a device or substantial parts thereof are not reconstructed, or a condition of sale is not violated, the law does not prevent the purchaser of a patented device from prematurely replacing an unpatented part." App. B5-6.

Kendall involved a patented combination for a compressive sleeve used to enhance blood flow in patient's legs. Although the sleeve was not broken or worn out through use, it was not reused to avoid contamination. Consequently, when "premature" replacement of the sleeve, i.e., before it was worn out, was approved, that result was reached because the sleeves were "practically" unusable. In *Kendall* the use of the term "premature" described the replacement of a part that did not need repair in the classic sense because it was not broken or worn out, but needed replacement because, as a medical device, it could only be used once before disposal. "[W]e believe that when it is *neither practical nor feasible to continue using an element that is intended to be replaced*, that element is effectively spent." *Kendall*, 85 F.3d at 1574, quoting *Sage Products, Inc. v. Devon Industries, Inc.*, 45 F.3d 1575, 1577, 33 USPQ2d 1765, 1767 (Fed. Cir. 1995) (replacement of medical waste container was repair) (emphasis added). Correctly understood, *Kendall* merely clarified that repair includes the replacement of parts that may not be broken or worn out but that are practically unusable. It does not justify the wholesale replacement of parts before they need replacement.

The court of appeal's decision also misapplies the holding of this Court's decision in *Wilbur-Ellis Co. v. Kuther*, 377 U.S. 422, 425, 141 USPQ 703, 704-05 (1964), to support the proposition that a purchaser of a patented device may "do more than simply replace spent or broken parts." App. B6. In *Wilbur-Ellis*, patented fish-canning machines were reconditioned to make them usable and, in the course of reconditioning, the parts of the machines were modified to process smaller cans. Acknowledging that the reconditioning alone of the machines was clearly repair, the court held that the resizing of the parts to process smaller cans was "more than repair in the customary sense . . . but

kin to repair for it bore upon the useful capacity of the old combination, on which the royalty had been paid." 377 U.S. at 425. In essence, the court held that parts of a patented combination could be modified if that modification permitted the useful life of the combination to be realized. Notably, it appears that the original machine parts were modified, rather than new parts added to it. 377 U.S. at 424. Thus, *Wilbur-Ellis* does not support the unhindered replacement of parts, but only replacements that "bear upon the useful capacity of the patented combination." The rule set down by the Federal Circuit goes far beyond that holding and permits the replacement of parts irrespective of the impact of those parts upon the life of the combination.

Similarly, the Federal Circuit's reliance upon *Hewlett-Packard Co. v. Repeat-O-Type Stencil Mfg. Corp.*, 123 F.3d 1445, 1452, 43 USPQ2d 1650, 1657 (Fed. Cir. 1997), is misplaced. In that case, the alleged infringer purchased new H-P ink cartridges and modified the tops of their ink reservoirs to that they could be refilled. Significantly, the court there noted that Repeat-O-Type modified new cartridges and did not replace any of the elements in the claims. *Id.* It also noted that the change to the ink reservoir—making it refillable—extended the actual useful life of the cartridge by allowing it to be refilled until some other component of the cartridge failed. *Id.* At 1452. Thus, *Hewlett-Packard* does not support the proposition that an owner may freely replace parts that are not broken or worn out but only holds that an owner may modify a new, patented combination to realize the actual duration of its life. Indeed, the practical result of the ruling in *Hewlett-Packard* is just what one would expect if the issue had been presented after the ink supply had been consumed and the owner had somehow opened the reservoir cap to refill it. *Heyer v. Duplicator Mfg. Co.*, 263 U.S. 100, 101-102, 44 S. Ct. 31, 32 (1923) (replacement of gelatin bands in copying machine is

repair).

In sum, none of the cases relied upon by the Federal Circuit support the proposition that parts may be freely replaced as long as the combination itself is not spent. At best, the decisions define repair to include the replacement of "practically unusable" parts (*Kendall*) and modifications to realize the actual life of the combination (*Wilbur-Ellis* and *Hewlett-Packard*). Consequently, legitimate repair is limited to the repair or replacement of broken, worn or "practically unusable" parts, or modifications that realize the actual life of the combination. Unlimited replacement of parts is not authorized.

II. THE FEDERAL CIRCUIT'S DECISION IS CONTRARY TO THIS COURT'S DECISION IN *DAWSON CHEMICAL CO. v. ROHM & HAAS*

The appeal court's decision is directly contrary to the statutory rights granted to owners of patented combinations by 35 U.S.C. §§ 271(c) and (d) as interpreted by this Court in *Dawson Chemical Co. v. Rohm & Haas Co.*, 448 U.S. 176, 100 S. Ct. 2601 (1980). In that case, this Court addressed the issue whether it was patent misuse for the owner of a method patent for the application of an herbicide for crops to refuse to license the patent to farmers who did not use its herbicide thus preventing sales of the unpatented herbicide by other chemical companies. In a lengthy analysis of the relationship between contributory infringement and patent misuse as defined by Congress in its passage of 35 U.S.C. § 271, the Court observed that

> The approach that Congress took toward the codification of contributory infringement and patent misuse reveals a compromise between those two doctrines and their competing policies

> that permits patentees to exercise control over nonstaple articles used in their inventions.

Dawson, 448 U.S. at 200. In summing up the scope of a patentee's rights under section 271 to control sales of unpatented, nonstaple articles (like the fins used in Fin Control's combination), the *Dawson* Court held:

> In our view, the provisions of § 271(d) effectively confer upon the patentee, as a lawful adjunct of his patent rights, a limited power to exclude others from competition in nonstaple goods. *A patentee may sell a nonstaple article himself while enjoining others from marketing that same good without his authorization.* By doing so, he is able to eliminate competitors and thereby to control the market for that product.

Dawson, 448 U.S. at 201 (emphasis added). Thus, under section 271, because Fin Control's fins are nonstaple components of a patented combination, it has the right to exclude others from contributorily infringing its patents by selling compatible fins without its authorization.

The Federal Circuit's decision wholly ignores the scope of Fin Control's rights under section 271 to exclude Surfco from selling replacement fins in direct contradiction to this Court's decision in *Dawson*.

III. SUPREME COURT AND FEDERAL CIRCUIT PRECEDENT PROHIBIT EXACTLY THE CONDUCT ENGAGED IN BY SURFCO

Replacement of parts not needing repair has been repeatedly prohibited in Supreme Court and Federal Circuit decisions. In *Leeds & Catlin Co. v. Victor Talking Machine Co.*, 213 U.S. 325, 336, 29 S. Ct. 503 (1909), this Court held

that a seller of records used in Victor's patented talking machine combination was guilty of contributory infringement. It rejected the applicability of the repair doctrine enunciated in *Wilson v. Simpson* on the basis that the records were not "perishable" but—like Fin Control's fins—are "capable of remaining useful for an indefinite period." *Leeds*, 213 U.S. at 336.

> [T]here is no pretense . . . of mending broken or worn out records, or of repairing or replacing "the operative ultimate tool of the invention" which has deteriorated by use. . . .
>
> The right of substitution or "resupply" of an element depends upon the same test. *The license granted to a purchaser of a patented combination is to preserve its fitness for use so far as it may be affected by wear or breakage. Beyond this there is no license.*

Id. (emphasis added).

The Federal Circuit has applied the same rule. In *Lummus Industries, Inc. v. D.M. & E. Corp.*, 862 F.2d 267, 8 USPQ2d 1983 (Fed. Cir. 1988), a jury instruction was approved that held replacement of a component which is not worn out with an accessory component which is a material part of the invention to be a reconstruction of the patented machine. *Id.* At 270 (emphasis added). The court rejected, as contrary to law, defendants' argument that the owners of the entire apparatus had an unlimited right to reconstruct and replace as well as to repair. *Id.* At 272 (emphasis added).

The appeal court's decision is all the more remarkable in view of the dissent of one of the Panel judges in *Everpure, Inc. v. Cuno, Inc.*, 875 F.2d 300 (Fed. Cir. 1989). In her dissent, the judge cited *Lummus* for the proposition that

replacement of an unworn part is not repair but "a second creation of the patented entity," quoting *Aro I* (*Id.* At 306), and underscored the right of the patentee under section 271(c) to control the sale of nonstaple components of patented combinations. *Id.* At 305-06 & n.1. These propositions are exactly Fin Control's position in this matter.

Other decisions of the Federal Circuit following this rule include *Preemption Devices, Inc. v. Minnesota Mining & Mfg. Co.*, 803 F.2d 1170, 1174-75, 231 USPQ 297, 300 (Fed. Cir. 1986) (sale of unique components for light activated traffic signal remote control systems); *King Instrument Corp. v. Otari Corp.*, 814 F.2d 1560, 1564, 2 USPQ2d 1201, 1204 (Fed. Cir. 1987) (upholds injunction against sale of spare parts); *Symbol Technologies, Inc. v. Opticon, Inc.*, 17 USPQ2d 1737, 1990 WL 58887 at *20 (S.D.N.Y. 1990) (sale of hand-held scanner for reading bar codes), *aff'd*, 935 F.2d 1569, 19 USPQ2d 1241 (Fed. Cir. 1991); *Polysius Corp. v. Fuller Co.*, 709 F. Supp. 560, 10 USPQ2d 1417 (E.D. Pa.) (sale of high pressure grinding rolls for use in method for reducing size of brittle materials), *aff'd in relevant part*, 889 F.2d 1100 (Fed. Cir. 1989) (table); see *Miller Hatcheries, Inc. v. Buckeye Incubator Co.*, 41 F.2d 619, 5 USPQ 489 (8th Cir. 1930) (improper to alter new egg incubators to increase their capacity).

Despite the existence of this precedent that was not addressed or distinguished by the Federal Circuit, its decision permits "modification"—replacement of parts not needing repair—of the components of a patented combination.

CONCLUSION

Petitioner, Fin Control Systems Pty, Ltd., respectfully requests that this Court grant its petition for a writ of certiorari to correct the Federal Circuit's failure to follow statutory and decisional precedent that precludes the sale of nonstaple component parts for purposes of replacing parts that are not in need of repair because they are not broken, worn out, or "practically unusable," or enable the actual life of the combination to be realized.

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Respectfully submitted,

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